

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

28

August 12, 2003

**FROM:**       **RICHARD N. LARSEN**  
                  Treasurer/Tax Collector

**SUBJECT:   AGREEMENT WITH WELLS FARGO BANK FOR E-CHECK (ELECTRONIC  
              PAYMENT) SYSTEM FOR THE TREASURER-TAX COLLECTOR'S OFFICE**

**RECOMMENDATION:** Approve a three-year agreement with Wells Fargo Bank, N.A. to develop and maintain an Internet E-Check (Electronic Check) web application for the County Treasurer-Tax Collector for the period of August 12, 2003 through August 12, 2006. [Contract is on file with the Clerk of the Board]

**BACKGROUND INFORMATION:** The Treasurer-Tax Collector's Office collects \$1.1 billion annually in property taxes on behalf of taxing entities within the County. We accept payments either in person, via a paper check or via credit card payments over the telephone and the Internet. Although paper checks continue to be the most popular form of payment, the volume of property tax-related credit card transactions has increased over the last several years by 50%. In 2002, over 10,000 credit card payments totaling \$9.3 million were made for property taxes. Unfortunately, due to the relatively high commissions charged by the credit card banks and the fact that the Treasurer-Tax Collector is legally unable to net these costs against other taxing entities' property tax collections, customers who choose to use credit cards to pay their property tax bills must also pay a convenience fee for this privilege. This convenience fee is approximately 2%.

To provide an alternative method for citizens to electronically pay their taxes, the Treasurer-Tax Collector requested and received approval by the Board of Supervisors on March 25, 2003, to issue a Request for Proposals (RFP) to add the capability on the department's existing website for customers to debit their checking or savings account (as an "e-check"). The addition of e-check capabilities on the Treasurer-Tax Collector's system will allow the taxpayer to click on a button and authorize an electronic debit from their checking or savings account at no cost to the taxpayer. Consumers have increasingly accepted this form of payment.

This RFP was issued to 17 firms, and four firms responded. A selection team composed of staff from the Treasurer-Tax Collector, County Administrative Office and Information Services Department interviewed the two top-rated and lowest cost firms, Bank of America and Wells Fargo Bank. The selection panel unanimously chose Wells Fargo Bank as the top-rated firm based on the greater functionality of their system, superior format of accounting reports, and superior project approach.

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AGREEMENT FOR E-CHECK (ELECTRONIC PAYMENT) SYSTEM**

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On a cost basis, the two firms' costs were virtually identical, although Wells Fargo's quoted costs were slightly higher. Based on an average of 1,000 transactions per month and a 3% reject rate, Wells Fargo's total monthly costs would be \$826, compared to Bank of America's cost of \$822.50. (Fees were quoted on a per-unit basis by both banks, so that the County will be charged based on the actual usage by customers.)

**REVIEW BY OTHERS:** This item has been approved as to form by County Counsel (Dawn Stafford, Deputy County Counsel) on July 29, 2003; and has been reviewed by Information Services (Leyden Hahn, Chief Information Officer) on July 30, 2003, and the County Administrative Office (Tracy Lindsay, Administrative Analyst) on July 31, 2003.

**FINANCIAL IMPACT:** The cost of each e-check transaction is less than 85 cents. Based on our current estimates of usage, this equates to a total annual cost of approximately \$10,000. These costs will be charged to the County Treasury Pool as part of our banking costs. Thus, there is no local cost. The use of e-checks also allows customers to electronically pay their taxes at no cost, compared to credit card transactions, where the cost of the transaction must be passed on to the taxpayer.

**COST REDUCTION REVIEW:** The County Administrative Office has reviewed this agenda item and concurs with the Department's proposal and recommends this action because the program provides additional customer convenience with no local cost.

**SUPERVISORIAL DISTRICT:** All.

**PRESENTER:** Richard N. Larsen, Treasurer-Tax Collector, (909) 387-6383